ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED
志道國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 01220)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2019

The board of directors of Zhidao International (Holdings) Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 March 2019, together with the comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
			(restated)
REVENUE	*4*	**96,803**	18,583
Cost of sales	*5*	**(81,235)**	(7,508)
Gross profit		**15,568**	11,075
Other income and gains	*4*	**504**	32,508
General and administrative expenses		**(20,348)**	(10,756)
Finance cost		**(1,712)**	–
Impairment of trade receivables	*5*	**(8)**	(1,280)
Impairment of other receivables	*5*	**–**	(3,348)
Impairment of contract assets	*5*	**(12)**	–
Impairment of loan and interest receivables	*5*	**(1,013)**	–
Impairment of amount due from associates	*5*	**(1,302)**	(1,240)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**(8,323)**	26,959
Income tax expense	*6*	**(2,298)**	(1,310)

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

	Notes	For the year ended 31 March 2019 HK$'000	2018 HK$'000 (restated)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(10,621)**	25,649
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	*7*	**(1,579)**	(23,124)
Gain on disposal of subsidiaries	*7, 16(a)*	**13,702**	–
		12,123	(23,124)
PROFIT FOR THE YEAR		**1,502**	2,525
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(3,535)**	6,414
Release of translation reserve upon disposal of subsidiaries	*16*	**(2,375)**	–
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(5,910)**	6,414
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(4,408)**	8,939
Profit attributable to:			
Owners of the Company		**3,578**	2,525
Non-controlling interests		**(2,076)**	–
		1,502	2,525
Total comprehensive income attributable to:			
Owners of the Company		**(2,322)**	8,939
Non-controlling interests		**(2,086)**	–
		(4,408)	8,939
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic (restated)			
Profit for the year		**0.18 cents**	0.13 cents
— (Loss)/Profit from continuing operations		**(0.43) cents**	1.30 cents
Diluted (restated)			
Profit for the year		**0.18 cents**	0.13 cents
— (Loss)/Profit from continuing operations		**(0.43) cents**	1.30 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,004**	4,342
Investment property		**–**	3,493
Intangible asset		**543**	–
Prepayments		**–**	462
Contract assets		**5,497**	–
Interests in associates		**17,198**	18,500
Total non-current assets		**28,242**	26,797
CURRENT ASSETS			
Inventories		**5,461**	–
Trade receivables	*9*	**14,785**	8,500
Loan and interest receivables	*10*	**152,753**	27,471
Receivables for default guarantee payments and receivables from guarantee customers		**–**	15,625
Contract assets		**16,980**	–
Prepayments, other receivables and other assets	*11*	**111,238**	73,926
Tax recoverable		**–**	484
Equity investments at fair value through profit or loss		**68,341**	51,980
Pledged bank deposits		**7,541**	35,823
Cash and cash equivalents		**145,219**	265,630
Total current assets		**522,318**	479,439
CURRENT LIABILITIES			
Trade payables	*12*	**17,590**	–
Other payables and accruals		**2,340**	2,732
Contract liabilities		**38,605**	–
Liabilities from guarantees		**–**	48,357
Interest-bearing bank and other borrowings		**32,547**	–
Tax payables		**1,440**	–
Total current liabilities		**92,522**	51,089
NET CURRENT ASSETS		**429,796**	428,350
NON-CURRENT LIABILITIES			
Retention payables		**1,246**	–
Interest-bearing bank and other borrowings		**13,913**	–
Total non-current liabilities		**15,159**	–
Net assets		**442,879**	455,147

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		At 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**19,800**	19,800
Reserves		**424,997**	435,347
		444,797	455,147
Non-controlling interests		**(1,918)**	–
Total equity		**442,879**	455,147

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Zhidao International (Holdings) Limited (the "**Company**") is a limited liability company incorporated in Bermuda on 8 July 1997. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is situated at Room 2606, 26th Floor, C C Wu Building, No. 302–308 Hennessy Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively, the "**Group**") is principally engaged in (i) trading of aluminium products (ii) supply of aluminium products in construction projects and is extended to the provision of construction and engineering services during the year; (iii) money lending; and (iv) provision of financing guarantee services in the People's Republic of China (the "**PRC**") which was disposed during the year.

In previous year, the Group entered into an engineering, development and construction contract for a mining project in Pakistan (the "**Construction Contract**"). Pursuant to the Construction Contract, the Group shall be the contractor which provides engineering, development and construction services to a Pakistan Company on an exclusive basis. However, the Group has not yet commenced any engineering, development and construction of the mining project during the year.

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 23 September 1997.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers to Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except as described the impacts on adoption of HKFRS 9 and HKFRS 15 below, the application of the above new or revised standards, amendments and interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

(a) HKFRS 9 replaces the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

(i) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI). The classification is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The financial assets currently held by the Group include debt instruments previously classified as loans and receivables which continue to be measured at amortised cost under HKFRS 9. A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

	HKAS 39 measurement			HKFRS 9 measurement	
	Category	Amount *HK$'000*	ECLs*	Amount *HK$'000*	Category
Financial assets					
Equity investments	FVTPL	51,980	–	51,980	FVTPL
Trade receivables	L&R	8,500	(3,500)	5,000	AC
Loans and interest receivables	L&R	27,471	(4,540)	22,931	AC
Receivables for default guarantee payments and receivables from guarantee customers	L&R	15,625	–	15,625	AC
Financial assets included in prepayments, other receivables and other assets	L&R	74,388	–	74,388	AC
Pledged bank deposits	L&R	35,823	–	35,823	AC
Cash and bank balances	L&R	265,630	–	265,630	AC
		479,417	(8,040)	471,377	
Financial liabilities					
Financial liabilities included in other payables and accruals	AC	2,732	–	2,732	AC
Liabilities from guarantees	AC	48,357	–	48,357	AC
		51,089	–	51,089	

1 L&R: Loans and receivables
2 AC: Financial assets or financial liabilities at amortised cost
3 FVTPL: Financial assets at fair value through profit or loss

* *The above information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").*

There will be no impact on the Group's accounting for financial liabilities, as HKFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liability. The derecognition rules have been transferred from HKAS 39 and have not been changed.

(ii) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the ECLs model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables, loan and interest receivables and other financial assets.

The following table summarises the impacts of transition to HKFRS 9 on accumulated losses and reserves at 1 April 2018.

	HK$'000
Accumulated losses	
Recognition of additional expected credit losses on	
— Trade receivables	(3,500)
— Loans and interest receivables	(4,540)
Net increase in accumulated losses at 1 April 2018	(8,040)

The following table reconciles the closing allowance for impairment of trade receivables, loan and interest receivables determined in accordance with HKAS 39 as at 31 March 2018 with the opening allowance for impairment of trade receivables, loan and interest receivables determined in accordance with HKFRS 9 as at 1 April 2018.

	Impairment allowances under HKAS39 as at 31 March 2018	**Re-measurement**	**ECL allowances under HKFRS9 as at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	1,280	3,500	4,780
Loans and interest receivables	–	4,540	4,540

For trade receivables, the Group applies a simplified model of recognising lifetime ECLs as these items do not have a significant financing component. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. For loan and interest receivables, the Group applies a general model of recognising ECLs in 2 stages. As at 1 April 2018, an additional credit loss allowance of HK$3,500,000 and HK$4,540,000 has been recognised against accumulated losses and respective assets.

While bank balances and cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Except as described above, the application of HKFRS 9 has had no material impact on the amounts reported set out in these consolidated financial statements.

(b) HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction Contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18.

There is no significant impact of transition to HKFRS 15 on accumulated losses at 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts, loans interest income and provision of financing guarantee services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and

c. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on the timing of revenue recognition of the business of the Group.

(ii) Timing of recognition of contract costs

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

The adoption of HKFRS 15 does not have a significant impact on the timing of recognition of contract costs.

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS 15 does not have a significant impact on the presentation of contract assets and liabilities.

(c) HK(IFRIC)-Int 22, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration.

2.3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 16, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

As the disclosure in note 17 to this announcement, as at 31 March 2019, the Group had future minimum lease payment under non-cancellable operating leases in aggregate of HK$466,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 April 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The principal activities of the Group consisted of trading of aluminium products, supply of aluminium products in the construction projects and provision of construction and engineering services, money lending and provision of financing guarantee services. During the year, the Group disposed of its financing guarantee services business which were completed on 4 June 2018. The Group also entered into an engineering, development and construction contract for a mining project in Pakistan in prior year. However, the Group has not yet commenced any engineering, development and construction of the mining project during the year.

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) trading of aluminium products segment — sales of aluminium products;

(b) construction projects segment — supply of aluminium products in construction projects and extension to the provision of construction and engineering services;

(c) money lending segment — provision of loan financing; and

(d) financing guarantee services segment — provision of financing guarantee services, which has been discontinued during the year.

The Group's chairman, who is the chief operating decision maker, monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank interest income, dividend income from equity investments at fair value through profit or loss, fair value gains on equity investments at fair value through profit or loss, gain on disposal of property, plant and equipment, gain on disposal of subsidiaries, other interest income, impairment of associates, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, pledged bank deposits, interests in associates and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

	Continuing operations			Discontinued operation	
Year ended 31 March 2019	**Trading of aluminium products** *HK$'000*	**Construction projects** *HK$'000*	**Money lending** *HK$'000*	**Financing guarantee services** *HK$'000*	**Total** *HK$'000*
Segment revenue:					
Sales to external Customers	–	–	–	–	–
Construction projects	–	85,340	–	–	85,340
Loans interest income	–	–	11,463	–	11,463
Guarantee fee income	–	–	–	250	250
	–	85,340	11,463	250	97,053
Segment results	(279)	(3,404)	5,859	12,123	14,299
Interest income					35
Corporate and other unallocated income					220
Corporate and other unallocated expenses					(10,754)
Profit before tax					3,800
Segment assets	–	95,633	221,592	–	317,225
Corporate and other unallocated assets					233,335
Total assets					550,560
Segment liabilities	1,035	104,332	342	–	105,709
Corporate and other unallocated liabilities					1,972
Total liabilities					107,681
Other segment information:					
Depreciation of property, plant and equipment	–	1,132	56	18	1,206
Depreciation of investment property	–	–	–	12	12
Amortisation of intangible asset	–	257	–	–	257

Year ended 31 March 2018	Continuing operations Trading of aluminium products *HK$'000*	Construction projects *HK$'000*	Money lending *HK$'000*	Discontinued operation Financing guarantee services *HK$'000*	Total *HK$'000*
Segment revenue:					
Sales to external customers	–	8,254	–	–	8,254
Loans interest income	–	–	10,329	–	10,329
Guarantee fee income	–	–	–	2,282	2,282
	–	8,254	10,329	2,282	20,865
Segment results	(1,954)	(6,432)	7,010	(23,124)	(24,500)
Interest income					1,064
Corporate and other unallocated income					31,444
Corporate and other unallocated expenses					(4,173)
Profit before tax					3,835
Segment assets	8,501	57	80,152	53,789	142,499
Corporate and other unallocated assets					363,737
Total assets					506,236
Segment liabilities	1,085	316	308	48,640	50,349
Corporate and other unallocated liabilities					740
Total liabilities					51,089
Other segment information:					
Depreciation of property, plant and equipment	1	9	–	118	128
Depreciation of investment property	–	–	–	77	77

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
From continuing operations:		
Hong Kong	**85,232**	10,329
Macau	**11,571**	–
PRC	**–**	8,254
	96,803	18,583
From discontinued operation:		
Hong Kong	**–**	–
Macau	**–**	–
PRC	**250**	2,282
	250	2,282

The classification of the revenue arising from the trading of aluminium products segment and the financing guarantee services segment is based on the location of the customer's operation.

The classification of the revenue arising from the construction projects segment is based on the location of the construction projects.

The classification of the revenue arising from money lending segment is based on the location where the funds is first available to their borrowers.

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**22,239**	18,505
Macau	**6,003**	–
PRC	**–**	8,292
	28,242	26,797

The classification of non-current assets is based on the location of the assets (excluding goodwill).

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue are as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A*	**–**	2,729
Customer B*	**–**	2,047
Customer C**	**–**	8,254
Customer D**	**73,769**	–
Customer E**	**11,571**	–
	85,340	13,030

* *Revenue from money lending segment*

** *Revenue from construction projects segment*

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Trading of aluminium products	**–**	–
Construction projects	**85,340**	8,254
Loans interest income	**11,463**	10,329
Guarantee fee income	**250**	2,282
	97,053	20,865
Other income and gains		
Bank interest income	**35**	816
Dividend income from equity investments at fair value through profit or loss	**211**	106
Fair value gains on equity investments at fair value through profit or loss	**–**	32,125
Gain on disposal of property, plant and equipment	**–**	14
Gain on disposal of subsidiaries *(note 16(c))*	**–**	25
Gain on disposal of waste material	**–**	220
Gain on bargain purchase *(note 15)*	**14**	–
Rental income	**9**	113
Reversal of provision for impairment on other receivables	**236**	–
Other interest income	**–**	248
Others	**9**	185
	514	33,852
Total revenue, other income and gains	**97,567**	54,717
Revenue:		
Attributable to continuing operations reported in the consolidated statement of profit or loss	**96,803**	18,583
Attributable to discontinued operation reported in the consolidated statement of profit or loss *(note 7)*	**250**	2,282
	97,053	20,865
Other income and gains:		
Attributable to continuing operations reported in the consolidated statement of profit or loss	**504**	32,508
Attributable to discontinued operation reported in the consolidated statement of profit or loss *(note 7)*	**10**	1,344
	514	33,852

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax from continuing operations is arrived at after charging/(crediting):

	2019 *HK$'000*	2018 *HK$'000* (restated)
Cost of sales		
— cost of construction	**81,235**	7,508
Auditor's remuneration	**800**	750
Depreciation of property, plant and equipment	**1,206**	128
Amortisation of intangible asset	**257**	–
Impairment of trade receivables *(note 9)*	**8**	1,280
Impairment of loan and interest receivables *(note 10)*	**1,013**	–
Impairment of contract assets	**12**	–
Impairment of other receivables	**–**	3,348
Impairment of amount due from associates	**1,302**	1,240
Reversal of provision for impairment on other receivables	**(236)**	–
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**4,782**	5,270
Pension scheme contributions	**135**	356
Employee severance payment	**–**	1,096
	4,917	6,722
Minimum lease payments under operating leases on land and buildings	**1,008**	1,802
Bank interest income	**(35)**	(816)
Dividend income from equity investments at fair value through profit or loss	**(211)**	(106)
Fair value loss/(gain) on equity investments at fair value through profit or loss	**3,701**	(32,125)
Gain on disposal of property, plant and equipment	**–**	(14)
Gain on bargain purchase *(note 15)*	**(14)**	–
Other interest income	**–**	(248)

6. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5% during the year ended 31 March 2019. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising from Hong Kong during the year ended 31 March 2018.

PRC corporate income tax is calculated at 25% (2018: 25%) on the estimated assessable profits arising in the PRC during the year.

Macau profits tax is calculated at 12% on the estimated assessable profits over MOP600,000 arising from Macau. Assessable profits below MOP600,000 is exempted for profits tax assessment. No Macau profits tax has been provided as no assessable profits was generated arising in Macau during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Current tax — Hong Kong		
Charge for the year	**2,368**	1,231
Over-provision in previous year	**(70)**	–
Current tax — PRC		
Charge for the year	**–**	–
Under-provision in previous year	**–**	79
Total tax charge for the year	**2,298**	1,310

7. DISCONTINUED OPERATION

On 27 April 2018, the Group entered into an agreement (the "**Fu Ya Disposal Agreement**") with Deng Chunli (the "**Purchaser**"), an independent third party, pursuant to which, the Group disposed of (the "**Fu Ya Disposal**") (i) 100% equity interest in the Fu Ya Investments Limited and its subsidiaries (collectively, the "**Fu Ya Group**"); and (ii) the amount due to the Group by the Fu Ya Group, for an aggregate consideration of HK$50,000,000, of which, as to HK$30,000,000 was satisfied by cash and the remaining balance of HK$20,000,000 was satisfied by way of issuing a promissory note by the Purchaser to the Group upon completion with 6 months maturity. The Fu Ya Disposal was completed on 4 June 2018 (the "**Fu Ya Disposal Date**").

The principal business and activity of the Fu Ya Group consisted of the provision of financing guarantee services. The results of the Fu Ya Group from 1 April 2018 to 4 June 2018, the Fu Ya Disposal Date, has been accounted for as a discontinued operation in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019 and the comparative figures for the preceding year have been restated accordingly.

The profit/(loss) for the period/year from the discontinued operation is analysed as follows:

	Period from 1 April 2018 to 4 June 2018	**Year ended 31 March 2018**
	HK$'000	*HK$'000*
Guarantee fee income *(note 4)*	250	2,282
Other income and gains *(note 4)*	10	1,344
General and administrative expenses	(1,839)	(26,750)
Loss before tax	(1,579)	(23,124)
Income tax expense	–	–
	(1,579)	(23,124)
Gain on disposal of subsidiaries *(note 16(a))*	13,702	–
Loss for the period/year from the discontinued operation	12,123	(23,124)
Profit/(Loss) per share:		
Basic from the discontinued operation *(note 8)*	0.61 cents	(1.17) cents
Diluted from the discontinued operation *(note 8)*	0.61 cents	(1.17) cents

8. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic profit/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculations of basic profit/(loss) per share are based on:

	2019	2018
	HK$'000	*HK$'000*
Profit/(Loss)		
Profit for the year attributable to ordinary equity holders of the Company, used in the basic profit per share calculation	**3,578**	2,525
Attributable to:		
Continuing operations	**(8,545)**	25,649
Discontinued operation	**12,123**	(23,124)
	3,578	2,525

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in basic profit per share calculation	**1,980,000,000**	1,980,000,000

The calculation of diluted profit/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares used in the basic profit/(loss) per share calculation, as adjusted for the outstanding share options assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic profit/(loss) per share amounts presented for the years ended 31 March 2018 and 2019 in respect of the dilution as the share options have a diluted effect only when the average market price of ordinary shares exceeds the exercise price of the share options. During the years ended 31 March 2019 and 2018, there is no dilutive event as the average market price of ordinary shares did not exceed its exercise price of the share options.

9. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**19,573**	9,780
Less: Impairment	**(4,788)**	(1,280)
Net carrying amounts	**14,785**	8,500

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

The Group allows a credit period normally 0 to 90 days to its trade customers. An aging analysis of the trade receivables as at the end of the reporting period, based on the date of invoice and net of loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**7,095**	–
1 to 2 months	**1,072**	–
2 to 3 months	**–**	–
Over 3 months	**6,618**	8,500
	14,785	8,500

The movement in the loss allowance for the impairment of trade receivables during the reporting period are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 April	**1,280**	–
Remeasurement of the expected credit loss at initial adoption of HKFRS 9 *(note 2.2)*	**3,500**	–
At 1 April (restated)	**4,780**	–
Impairment losses recognised *(note 5)*	**8**	1,280
At 31 March	**4,788**	1,280

10. LOAN AND INTEREST RECEIVABLES

The loan receivables represented outstanding loans arose from the money lending business during the year.

Loan receivables bear interest at fixed rates in the range from 5% to 16% (2018: 5% to 18%) per annum, and with credit periods mutually agreed between the contracting parties. Loan receivables are secured by the pledge of debtors' assets. Overdue balances are reviewed regularly and handled closely by senior management.

	2019	2018
	HK$'000	*HK$'000*
Loan receivables *(note)*	**151,000**	24,400
Interest receivables	**7,306**	3,071
Less: Impairment	**(5,553)**	–
Net carrying amounts	**152,753**	27,471
Less: Current portion of loan and interest receivables	**(152,753)**	(27,471)
Non-current portion of loan and interest receivables	**–**	–

Note:

Included in loan receivables were:

(i) HK$20,000,000 (the "**Loan A**") due from a borrower ("**Borrower A**"), an independent third party, which was secured by 20% equity interest in a secondary school in the PRC (the "**Underlying Securities**") and was repayable on or before 5 November 2016. Upon maturity, the repayment of Loan A was defaulted. Subsequently, the Group commenced a legal proceeding against Borrower A since 5 April 2018. Further to a judgment (the "**Judgment**") issued by 福建省泉州市中級人民法院 (the "**District Court**") in July 2018, the District Court has made an order that Borrower A is required to perform his deputy to repay the Loan A immediately and certain of his properties and properties owned by his spouse were frozen (the "**Frozen Properties**") since then. Borrower A filed an appeal against the Judgment but the appeal had been dismissed by 福建省泉州市高級人民法院 in October 2018.

Based on the valuation of the Underlying Securities and the assessment of the recoverable amount of the Frozen Properties, the directors of the Company were of the opinion that the Loan A will be fully recoverable and therefore, no impairment was provided as at 31 March 2019; and

(ii) HK$20,000,000 (the "**Loan B**") due from a company ("**Borrower B**"), an independent third party, which was secured by, among other things, 100 shares (the "**Share Charge**") (representing 10%) of a company ("**Company B**") which is principally engaged in property development and is repayable on or before 30 October 2019. Subsequently, Borrower B failed and default to make any interest payments.

Subsequent to the end of the reporting period on 5 June 2019, the Group entered into a settlement deed (the "**Settlement Deed**") with Borrower B and Company B and other parties concerned, pursuant to which, among other terms of the settlement, the Share Charge and a shareholder's loan of approximately HK$31,700,000 were transferred and assigned to the Group for settlement of the outstanding amount owed by Borrower B. Upon the completion of the Settlement Deed, the Group shall release and discharge all covenants, liabilities and obligations of Borrower B relating to the loan agreement. Based on the financial position of Company B, the directors of the Company were of the opinion that the Loan B is fully recoverable and therefore, no impairment was provided as at 31 March 2019.

The loan and interest receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	2019	2018
	HK$'000	*HK$'000*
Loan receivables:		
Past due	**30,934**	23,061
Within 3 months	**638**	–
3 months to 1 year	**121,181**	4,410
	152,753	27,471
Less: Current portion of loan and interest receivables	**(152,753)**	(27,471)
Non-current portion of loan and interest receivables	**–**	–

The movement in the loss allowance for impairment of loan and interest receivables during the reporting period are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 April	**–**	–
Remeasurement of the expected credit loss at initial adoption of HKFRS 9 *(note 2.2)*	**4,540**	–
At 1 April (restated)	**4,540**	–
Impairment losses recognised *(note (5))*	**1,013**	–
At 31 March	**5,553**	–

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 *HK$'000*	2018 *HK$'000*
Prepayments	**1,599**	754
Trade deposits	**1,556**	1,556
Utility and other deposits	**6,394**	757
Other receivables *(note (a))*	**43,011**	33,094
Deposit for the mining project *(note (b))*	**43,131**	43,131
Promissory note receivables *(note (c))*	**20,000**	–
	115,691	79,292
Less: Impairment		
Trade deposits	**(1,556)**	(1,556)
Other receivables	**(2,897)**	(3,348)
	(4,453)	(4,904)
	111,238	74,388
Less: Non-current portion of prepayments	**–**	(462)
Current portion of prepayments, deposits and other receivables	**111,238**	73,926

The movement in the loss allowance for the impairment of prepayments, other receivables and other assets during the reporting period are as follows:

	2019 *HK$'000*	2018 *HK$'000*
At 1 April	**4,904**	1,556
Remeasurement of the expected credit loss at initial adoption of HKFRS 9 *(note 2.2)*	**–**	–
At 1 April	**4,904**	1,556
Impairment losses recognised *(note 5)*	**–**	3,348
Reversal of impairment loss recognised *(notes 4 and 5)*	**(236)**	–
Exchange realignment	**(215)**	–
At 31 March	**4,453**	4,904

Notes:

(a) Included in other receivables was amount due from a director of a subsidiary of the Company of approximately MOP39,369,000 (equivalent to approximately HK$38,188,000) (2018: Nil) arising from acquisition of the subsidiaries which is unsecured, interest-free and has no fixed terms of repayment. The directors of the Company are of the opinion that the amount receivable is fully recoverable and no impairment was provided as at 31 March 2019.

(b) Amount represented deposit paid for sourcing and acquisition of certain project machines for engineering, development and construction of the mining project in Pakistan which has been fully refunded subsequent to the end of the reporting period.

(c) As detailed in 16(a) to this announcement, the amount represented the promissory note issued by the purchaser for partial settlement of the consideration for acquisition of the Fu Ya Group which was originally due for settlement on 3 December 2018 and was further extended to 3 July 2019.

12. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**17,590**	–
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**–**	–
	17,590	–

The trade payables are non-interest bearing and are normally settled on 30 to 60-day terms.

13. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
2,800,000,000 ordinary shares of HK$0.01 each	**28,000**	28,000
850,000,000 preference shares of HK$0.01 each	**8,500**	8,500
	36,500	36,500
Issued and fully paid:		
1,980,000,000 (2018: 1,980,000,000) ordinary shares of HK$0.01 each	**19,800**	19,800

14. SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was newly approved and adopted by the shareholders on 31 August 2015. The Share Option Scheme is valid and effective for a period of 10 years after the date of adoption. The purpose of the Share Option Scheme is to provide incentives to the employee or consultant of the Group including any executive director of any nationality of the Company and any subsidiary (the "**Participants**") to enable the Group to recruit and/or retain high-calibre individuals and attract human resources that are valuable to the Group. Under the Share Option Scheme, the Board may grant options to the Participants to subscribe for shares of the Company. On 2 March 2016, the Group granted 131,299,998 share options (the "**Share Options**") to their directors and employees for a term of 5 years.

The consideration of HK$1 is payable on the grant date of the Share Options. Share Options may be exercised by the grantees at any time before its expiry. The exercise price is determined by the directors of the Company (the "**Directors**"), and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of the outstanding Share Options during the year ended 31 March 2019 are as follows:

	Date of grant	Exercise period	Outstanding as at 1 April 2018	Granted during the year	Lapsed during the year	Outstanding as at 31 March 2019	Exercise price *HK$*
Directors							
Chan Yin Tsung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	4,166,666	1.2
Li Kam Chung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	4,166,666	1.2
Kwok Lap Fung Beeson	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	4,166,666	1.2
Employees *(note b)*	2 March 2016	2 March 2016 to 1 March 2021	39,600,000	–	(19,800,000)	19,800,000	1.2
			52,099,998	–	(19,800,000)	32,299,998	

	Date of grant	Exercise period	Outstanding as at 1 April 2017	Granted during the year	Lapsed during the year	Outstanding as at 31 March 2018	Exercise price *HK$*
Directors							
Tung Yee Shing *(Note a)*	2 March 2016	2 March 2016 to 1 March 2021	19,800,000	–	(19,800,000)	–	1.2
Chan Yin Tsung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	4,166,666	1.2
Li Kam Chung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	4,166,666	1.2
Kwok Lap Fung Beeson	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	4,166,666	1.2
Employees *(note b)*	2 March 2016	2 March 2016 to 1 March 2021	79,200,000	–	(39,600,000)	39,600,000	1.2
			111,499,998	–	(59,400,000)	52,099,998	

Notes:

(a) Mr. Tung Yee Shing resigned as an executive director of the Company on 11 December 2017. The Share Options granted to him were lapsed as a result of his resignation.

(b) One employee (2018: Two employees) resigned during the year and the Share Options granted to him were lapsed as a result of his resignation.

(c) Except for the above, no Share Options were granted, exercised, lapsed or cancelled during the years ended 31 March 2019 and 2018.

Fair value of Share Options

The fair value of the Share Options was calculated by using a binomial option pricing model (the "**Binomial Model**"). Where relevant, the expected life used in the model has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over past years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after the vesting date when the share price was one and a half or two and a half times the respective exercise price.

Inputs in the model:

Date of grant	2 March 2016
Grant date share price	HK$1.20
Exercise price	HK$1.20
Expected volatility	100%
Option life	5 years
Risk-free interest rate	1.08%
Fair value per Share Option	HK$0.536

The Binomial Model has been used to estimate the fair value of the Share Options. The variables and assumptions used in computing the fair value of the Share Options are based on director best estimates. The value of the Share Option varies with different variables in certain subjective assumptions.

15. BUSINESS COMBINATION

31 March 2019

(a) Acquisition of iTong Engineering Company Limited

On 18 May 2018 and 25 May 2018, the Group entered into a sale and purchase agreement and a supplementary agreement, respectively (collectively, the "**iTong S&P Agreements**") with Mr. Chang Tong Keng and Miss. Lei Mio Un, independent third parties, (collectively, the "**Vendors**"), pursuant to which, the Group acquired (the "**iTong Acquisition**") 51.84% equity interest in iTong Engineering Limited ("**iTong**") from the Vendors at a cash consideration of HK$180,000. The Acquisition has been completed on 1 July 2018 (the "**iTong Acquisition Date**").

The Group has elected to measure the non-controlling interest in iTong at the non-controlling interest's proportionate share its identifiable net assets.

Details of the fair value of the identifiable assets and liabilities of iTong at the iTong Acquisition Date are as follows:

	Previous carrying amount	Fair value recognised on the iTong Acquisition Date
	HK$'000	*HK$'000*
Property, plant and equipment	5,996	5,996
Intangible asset*	–	800
Prepayments, other receivables and other assets	3,461	3,461
Due from director	36,782	36,782
Pledged bank deposits	4,342	4,342
Cash and cash equivalents	4,415	4,415
Other payables and accruals	(1)	(1)
Bank borrowings, secured	(54,820)	(54,820)
Retention payables	(601)	(601)
Total identifiable net assets of iTong acquired at fair value		374
Non-controlling interests		(180)
		194
Gain on bargain purchase *(note 4)*		(14)
Satisfied by cash		180

* *The intangible asset represented the fair value of a construction contract awarded by the Governo Da Raem (澳門特區政府) with a contract sum of MOP26,695,520.*

Since the iTong Acquisition, iTong contributed of approximately HK$11,571,000 to the Group's revenue and a loss of approximately HK$10,324,000 to the consolidated loss for the year ended 31 March 2019.

16. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2019

*(a) Disposal of Fu Ya Investments Limited and its subsidiaries (collectively, the "**Fu Ya Group**")*

On 27 April 2018, the Group entered into the Fu Ya Disposal Agreement, pursuant to which, the Group disposed of (the "**Fu Ya Disposal**") (i) 100% equity interest in the Fu Ya Group; and (ii) amount due to the Group by the Fu Ya Group of approximately HK$76,449,000, for an aggregate consideration of HK$50,000,000, of which, as to HK$30,000,000 was satisfied by cash and the remaining balance of HK$20,000,000 was satisfied by way of issuing a promissory note by the Purchaser to the Group upon completion with 6 months maturity. The Fu Ya Disposal was completed on 4 June 2018 (the "**Fu Ya Disposal Date**").

The assets and liabilities of the Fu Ya Group as at the Fu Ya Disposal Date were as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	3,968
Investment property	3,200
Receivables from guarantees	15,363
Prepayments, other receivables and other assets	29,009
Pledged bank deposits	31,794
Cash and bank balances	1,696
Liabilities from guarantee	(46,083)
Due to immediate holding company	(76,126)
Due to ultimate holding company	(323)
Other payables	(274)
	(37,776)
Add: Amount due from the Fu Ya Group to the Group disposed of	76,449
Net assets of the Fu Ya Group disposed of	38,673
Less: Consideration of the Fu Ya Disposal	(50,000)
	(11,327)
Add: Release of translation reserve	(2,375)
Gain on disposal of subsidiaries *(note 7)*	(13,702)

*(b) Disposal of Fast Excel Limited and its subsidiaries (collectively, the "**Fast Excel Group**")*

On 30 April 2018, the Group entered into an agreement (the "**Fast Excel Disposal Agreement**") with Fortune Engineering & Consultants Limited, an independent third party, pursuant to which, the Group disposed of (the "**Fast Excel Disposal**") 49% equity interest in the Fast Excel Group for a consideration of HK$49. The Fast Excel Disposal was completed on 4 May 2018 (the "**Fast Excel Completion Date**").

The assets and liabilities of the Fast Excel Group as at the Fast Excel Disposal Date were as follows:

	HK$'000
Net liabilities disposed of:	
Due to ultimate holding company	(23)
Net liabilities of the Fast Excel Group	(23)
Portion attributable to the non-controlling interests of the Fast Excel Group	(11)
Less: Consideration of the Faet Excel Disposal	–
Gain on disposal of subsidiaries	(11)

As the above changes in equity interests in the Fast Excel Group held by the Group did not result in a loss of control of in the Fast Excel Group and therefore, the gain on disposal of subsidiaries of approximately HK$11,000 was directly recognised as an equity transaction in the consolidated statement of changes in equity.

Year ended 31 March 2018

(c) Disposal of Noble Dynasty Holdings Limited

On 19 June 2017, the Group entered into a sale and purchase agreement (the "**Noble Dynasty S&P Agreement**") with Star Century Ventures Corp., an independent third party, pursuant to which, the Group disposed of (the "**Noble Dynasty Disposal**") 100% equity interest in Noble Dynasty Holdings Limited and its subsidiaries (collectively, the "**Noble Dynasty Group**") for a cash consideration of HK$25,210. The Noble Dynasty Disposal was completed on 19 June 2017 (the "**Noble Dynasty Disposal Date**").

The assets and liabilities of the Noble Dynasty Group as at the Noble Dynasty Disposal Date were as follows:

	HK$'000
Net liabilities disposed of:	
Due to ultimate holding company by the Noble Dynasty Group	(31)
	(31)
Add: Waiver of amount due to ultimate holding company	31
Net assets of the Noble Dynasty Group disposed of	–
Less: Consideration of the Noble Dynasty Disposal	(25)
Gain on disposal of subsidiaries *(note 5)*	(25)

17. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leased its investment property to independent third party under operating lease arrangement with lease negotiated for terms of 5 years.

At 31 March 2019, the Group had total future minimum lease receivable under non-cancellable operating lease with its tenant falling due as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Within one year	**–**	113
2–5 years, inclusive	**–**	274
	–	387

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Lease for properties are negotiated for terms ranging from 1 to 3 years.

At 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**375**	1,828
2–5 years, inclusive	**91**	3,311
	466	5,139

18. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Shareholder's loan provides to associates	**–**	181
Capital contribution payable to a non wholly owned subsidiary	**5,500**	–
	5,500	181

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2019, the Group has been continuously seeking expansion in its construction business. For the year ended 31 March 2019, as a result of increase in revenue of the construction projects business from approximately HK$8.3 million in FY2018 to approximately HK$85.3 million in FY2019, the Group recorded a total revenue of approximately HK$97.1 million, or over 4.6 times of that in FY2018. The Group's money lending business recorded revenue of approximately HK$11.5 million, representing an approximately 11.0% increase from FY2018.

During the year, total gross profit was approximately HK$15.6 million (2018: approximately HK$11.1 million), representing an approximately 40.5% increase. The gross margin for the year was approximately 16.1% (2018: approximately 59.6%).

During the year, the Group continued the strategy in expanding the construction projects business and money lending business. The Group recorded no revenue from the trading of aluminium products business during the year (2018: Nil). Although the aluminium trading business may not be the Group's focus, the management of the Group will still keep reviewing the current business model and looking for appropriate opportunities to improve the current aluminium trading business.

The Group's construction projects segment recorded revenue of approximately HK$85.3 million for the year (2018: HK$8.3 million). Gross margin of the construction projects segment recorded an decrease to approximately 4.8% for the year, in comparison to approximately 9.0% last year. The Group has been successfully securing new projects in the construction projects segment in the Macau construction market, which will contribute to the Group's revenue and profit in the years to come.

Revenue and gross profit of the money lending segment, which were mainly interest income with no direct interest expense, were both approximately HK$11.5 million for the year ended 31 March 2019, or 11.0% higher than that in 2018.

As disclosed in an announcement on 27 April 2018, the management of the Group considered that the financing guarantee services made slow progress in expansion of its business and the financial performance of its business was not as satisfactory as the Group expected, the Group entered into a disposal agreement to dispose of the entire interest in the financing guarantee services business. The disposal was subsequently completed on 4 June 2018.

PROSPECTS

The uncertainties of business environment are characterized by the trade conflict between the US and China, as well as the potential end of the upward interest rate cycle. The management maintains a positive view on the construction projects business in the Hong Kong and Macau market, and will continue the Group's focus on the construction projects business and the money lending businesses. The Group will grow the construction projects business by identifying potential acquisition targets and pursue projects mainly in Hong Kong and Macau market.

THE STOCK EXCHANGE'S DECISION ON THE COMPANY'S NON-COMPLIANCE WITH LISTING RULE 13.24

On 26 October 2018, the Company published an announcement regarding the decision of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to suspend trading in the shares of the Company (the "**Shares**") under Rule 6.01(3) of the Listing Rules and proceed with the cancellation of the Company's listing under Rule 6.01A(1) of the Listing Rules (the "**Decision**") after having considered, among others, the following:

1. the scale of the Company's existing businesses, namely, (i) supply of aluminium products in construction projects (the "**Construction Projects Business**") and (ii) provision of loan financing has, for years, remained small, and the Stock Exchange considers that the Company has not demonstrated that these two businesses are businesses of substance and are viable and sustainable;

2. the revenue and profit projection as provided to the Stock Exchange may not be achievable as most of the projected revenue from the Construction Projects Business is not supported by signed agreements; and

3. the operation of the Company's assets, which is mainly comprised of cash and pledged bank deposits, may not enable the Group to carry out businesses with a sufficient level of operations to justify the continued listing of the Company's securities.

The Company is required to re-comply with Rule 13.24 of the Listing Rules and will have a remedial period of 18 months to re-comply with the Listing Rule. If the Company fails to do so by the expiry of the 18-month period (i.e. 25 April 2020), the Stock Exchange will proceed with cancellation of the Company's listing.

And on 5 November 2018, the Company published an announcement regarding the Decision and the Company's request to the Listing Committee of the Stock Exchange for the Decision to be referred to the Listing Committee for review pursuant to Rule 2B.06(1) of the Listing Rules.

On 22 January 2019, the Listing Committee considered the application of the Company for a review (the "**Review Hearing**") of the Decision as set out in the Letter. The Company has received a letter dated 12 February 2019 from the Listing Committee upholding the Decision (the "**Second Letter**"). The Listing Committee considered that the Company failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated under Rule 13.24 of the Listing Rules on the grounds as set out in the Second Letter. Shareholders may refer to the Company's announcement dated 13 February 2019 for details.

On 20 February 2019, the Company submitted a written request to the Listing (Review) Committee of the Stock Exchange for the Decision to be referred to the Listing (Review) Committee for the Second Review (the "**Second Review Request**") pursuant to Rule 2B.06(2) of the Listing Rules.

The Company is required to demonstrate its compliance with Rule 13.24 of the Listing Rules in the Second Review and, if Listing (Review) Committee of the Stock Exchange uphold the Decision, the Company will have a remedial period of 18 months to re-comply with the Rule. If the Company fails to do so by the expiry of the 18-month period, the Stock Exchange will proceed with cancellation of the Company's listing.

The management of the Group believes the current strategy and potential growth will equip the Company to satisfy the requirement of the Listing Rules, but the shareholders of the Company and potential investors are reminded that the outcome of the Second Review is uncertain.

Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2019, the Group had cash and bank balances of approximately HK$145.2 million (2018: HK$265.6 million) while net assets was approximately HK$442.6 million (2018: HK$455.1 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was 10.4 times as at 31 March 2019 (2018: Nil).

Share Option Scheme

The existing Share Option Scheme was approved and adopted by the shareholders of the Company at the special general meeting held on 31 August 2015. The primary purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Further details of the Share Option Scheme are as disclosed in the circular of the Company dated 30 July 2015.

Details of the movements in the Share Options under the Share Option Scheme during the Year are set out in note 14 to this announcement.

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2019, the monetary assets and liabilities and businesses of the Group are mainly conducted in Hong Kong Dollars, MOP, and United States Dollars. The Group did not use any financial instruments to hedge against foreign currency risk during the Financial Year. The Group will continue to monitor its foreign currency exposure closely and consider hedging foreign currency exposure should the need arise.

PLEDGE OF ASSETS

As at 31 March 2019, bank deposits amounting to approximately HK$7.5 million was pledged for the Group's banking facilities.

DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 March 2019 and 2018.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Details of significant investments or material acquisitions and disposals for the year are set out in notes 15 and 16 to this announcement.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2019.

COMMITMENTS

Details of the commitments are set out in notes 17 and 18 to this announcement.

INVESTMENT SECURITIES

As at 31 March 2019, the Group had equity investments at fair value through profit or loss of approximately HK$68.3 million (31 March 2018: HK$52.0 million). All these investments represented equity securities listed on the Stock Exchange.

For equity investments at fair value through profit or loss, the Group recorded a fair value loss of HK$3.7 million during the year ended 31 March 2019 (2018: fair value gain of HK$32.1 million) in profit or loss. Dividend income received from the listed securities during the year ended 31 March 2019 amounted to HK$0.2 million (2018: HK$0.1 million).

Company name	Principal activities	Number of shares held	Percentage of shareholdings	Unrealised gains/(losses) on fair value change for the year *HK$'000*	Dividend received during the year *HK$'000*	Cost of acquisition *HK$'000*	Fair value as at 31 March 2019 *HK$'000*	Percentage of net asset of the Group as at 31 March 2019	Fair value as at 31 March 2018 *HK$'000*	Reason for unrealised gains/(losses) on fair value change for the year
Agritrade Resources Limited (Stock Code: 1131)	Production, processing, transportation, sales, marketing and trading of coal	42,260,000	0.7%	2,958	211	19,855	54,938	12.4%	51,980	Upward movement of share prices
Jingrui Holdings Limited (Stock Code: 1862)	Development of and investment in real estate project as well as management of properties	5,195,000	0.4%	(6,659)	N/A	20,062	13,403	3.0%	N/A	Downward movement of share prices

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group had 20 (2018: 32) employees. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and individual qualifications and performance.

The emolument policy for the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market statistics.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Year.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company complied with the code provisions as stipulated in Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules throughout the Year except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title “chief executive officer”. The Board is of the view that currently vesting the roles of chairman and chief executive officer in Mr. Fung Kwok Kit provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.zdihl.com). The 2019 Annual Report will be despatched to our shareholders on or before 31 July 2019 and will be available at the websites of the Stock Exchange and the Company.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the “**Annual General Meeting**”) will be held on 29 August 2019. A circular containing the notice of the Annual General Meeting will be published on the Company’s website and the Stock Exchange’s website and sent to the shareholders of the Company in due course.

RECORD DATE

The record date for determining Shareholders’ right to attend and vote at the Annual General Meeting is Thursday, 22 August 2019. Shareholders who are entitled to attend and vote at the Annual General Meeting are those whose names appear on the register of members of the Company as at the close of business on Thursday, 22 August 2019. In order to qualify for attending and voting at the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 22 August 2019.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee comprising of the three independent non-executive directors, namely Mr. Chan Yin Tsung, Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson, with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are (i) to review, in draft form, the Company’s annual report and accounts, and half-yearly report and providing advice and comments thereon to the Board; and (ii) to review and supervise the Company’s financial reporting and internal control procedures. Mr. Chan Yin Tsung is the chairman of the audit committee.

The Audit Committee had reviewed the consolidated financial statements of the Group for the Year, including the accounting principles and practices adopted by the Group and the adequacy of internal control system. The Committee is satisfied with the review and the Board is also satisfied with the Committee's report.

By order of the Board
Zhidao International (Holdings) Limited
Fung Kwok Kit
Chairman

Hong Kong, 28 June 2019

As at the date of this announcement, the Board comprises 6 Directors. The executive Directors are Mr. Fung Kwok Kit (Chairman), Mr. Zhong Can and Mr. Kwong Kin Fai, Eric. The independent non-executive Directors are Mr. Chan Yin Tsung, Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson.

* *For identification purposes only*